

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM
2.8
(ID # 6301)

MEETING DATE:

Tuesday, February 6, 2018

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Fiscal Year 18/19 Internal Service Rates Overview, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the following summary of the proposed FY 18/19 Internal Service Rates.

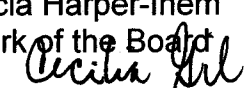
ACTION: Consent


Stephanie Pasi 1/26/2018

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Jeffries and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley
Nays: None
Absent: None
Date: February 6, 2018
xc: EO

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

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FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: 2018/19	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In September 2017, the Executive Office distributed a memo that directed all internal service departments to submit rates packages to the Executive Office and Auditor-Controller. For the second year in a row, departments were expected to prepare an operating budget that did not exceed prior year rate levels. This required internal service departments to absorb labor cost increases while maintaining service charges to user departments at current levels.

The County's Internal Audits Division of the Auditor Controller also reviews each internal service rate. During this year's process, they have worked with each department to meet the requirements of the State Controller's recent audit pertaining to the ISF costs. This audit rejected some of the methodologies used by the County. Several departments ISF charges include revisions to methodology.

On today's agenda, the proposed rates for internal service departments are presented under separate cover for approval. Requests for increases were received from Human Resources (HR). HR's general services increase is due to new service agreements with departments requiring the addition of new positions and infrastructure charges that are directly charged to departments based on use of services.

HR's insurance costs are less subject to control and are typically not reviewed by the Auditor Controller, as they are actuarial driven. The Executive Office worked directly with HR to keep rates down. It was determined liability rate would stay at existing confidence levels. Medical malpractice rates have increased due to the actuary response. This only effects a few departments who experience medical malpractice losses. Several departments are requesting a waiver of Board of Supervisor Policy B-28 so that unrestricted net assets (one-time funding) may be used for expenses as outlined by the individual expense plans. The Executive Office recommends approval of these exceptions as the action reduces the costs that are passed on to the user departments through rates.

The following is a summary of the Executive Office recommendations:

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Department	Current Rate/Budget	Proposed Rate/Budget	% Increased
ACO-Payroll	\$ 4.39	\$ 4.39	0%
County Counsel - Attorney	\$ 180.00	\$ 180.00	0%
County Counsel - Paralegal	\$ 116.00	\$ 116.00	0%
EDA – Custodial	\$ 45.63	\$ 45.63	0%
EDA – Maintenance	\$ 79.02	\$ 79.02	0%
EDA-Plan Check & Inspection	\$ 156.15	\$ 156.15	0%
EDA-Project Management Office	\$ 147.33	\$ 147.33	0%
EDA-Real Estate	\$ 157.69	\$ 157.69	0%
Human Resources – General	\$ 20,603,389	\$ 21,243,877	3%
HR – Auto/General Liability	\$ 53,918,063	\$ 69,017,996	28%
HR – Property	\$ 7,760,144	\$ 7,350,335	-5%
HR – Workers' Compensation	\$ 37,824,822	\$ 44,920,428	19%
HR – Medical Malpractice	\$ 9,272,000	\$ 10,369,000	12%
HR - Occupational Health	\$ 1,800,000	\$ 2,066,840	15%
HR – TAP	\$ 5,300,000	\$ 4,176,010	-21%
Purchasing-Central Mail	\$ 1,919,085	\$ 1,919,085	0%
Purchasing-Fleet Services	\$ 8,391,552	\$ 8,399,904	0%
Purchasing-Supply Services	\$ 280,746	\$ 280,746	0%
RCIT/ISO/GIS (Non – PSEC)	\$ 90,912,359	\$ 90,912,359	0%
RMAP	\$ 1,622,128	\$ 266,250	-84%

The following is a synopsis of all internal service department submissions:

Auditor-Controller Payroll

The payroll processing rate will remain unchanged for FY 18/19 at \$4.39 per warrant processed.

County Counsel

Funding for County Counsel is a combination of general fund support and direct billing. A significant portion of the direct billing relates to legal representation in child dependency cases, which the State of California reimburses. During FY 18/19, ISF rates will remain the same as FY 17/18. The Attorney service rate will be \$180 and the paralegal service rate will be \$116.

Economic Development Agency (EDA)

Custodial – The proposed rate will not increase from the current fiscal year. The hourly rate will be \$45.63 per hour in FY 18/19.

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Maintenance – The proposed rate will remain the same as FY 17/18 at a rate of \$79.02. The overtime rate will increase by \$0.11 to \$99.59.

Project Management – The proposed rates for Project Management and Plan Check and Inspection will remain flat at \$147.33 and \$156.15 respectively. Overtime will increase by .09% and .04% respectively from the current fiscal year. This will allow for full recovery of costs associated with providing the services.

Real Estate – The proposed rate will remain the same as FY 18/19 at a rate of \$157.69. An increase will occur in overtime rates from \$183.96 to \$185.20. Leasing services are billed based on the management fee and is applied to the lease amount once an agreement has been executed. The proposed rates are limited in providing full cost recovery. EDA will monitor the cash flow closely.

Human Resources

General – The proposed rate will increase from the current fiscal year's rate and reflect a budget increase of \$640,488. The increase is due to a new structure recommended by KPMG. This will allow for better service to departments. Also a cause of the increase, new service agreements with departments requiring the addition of new positions that occurred in FY 17/18, but were not captured in the rate and infrastructure supply and services charges that are directly charged to departments based on use of services.

In FY 18/19, Human Resources will continue to work with KPMG to make their processes more efficient. They will monitor the changing health care landscape and adjust as needed.

Workday – The new Human Capital Management System, Workday, will be live in October 2018. Human Resources will absorb the costs for FY 18/19. A new rate will be in effect for FY 19/20 to recover the cost of the system.

Auto/General Liability – The FY 18/19 General Liability/Auto Liability Insurance rates will increase from the current fiscal year's rate and reflect a budget increase of \$15.1 million. The overall increase is attributable to increased claims cost, increased cost of excess insurance, and a lack of fund surplus.

The County's actuary, Bickmore Risk Services, and Human Resources all recommend a confidence level of 70%. Yet due to budget constraints, at this time the plan will be to stay at a confidence level of 60% for FY 18/19. This means that at current funding levels, there is less than a 60% chance that the amount will be sufficient to pay incurred claims. Continuing to maintain this fund at confidence level below 70% increases the risk that reserves will be insufficient to make future claim payments. Consequently, the General Fund may be required to backfill any reserve deficiencies caused by claims that are higher than what the actuary estimates.

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Medical Malpractice – The proposed rate will increase by \$1.1 million from the current fiscal year. This is a result of the County's actuary calculating a required program funding of \$10.4 million at a 70% confidence level. The actuary recommended to not fund below the 70% level.

Property – In FY 13/14, the Property Insurance Fund borrowed cash from another fund to return it into a positive cash position. In FY 16/17, the deficit was added to the rates to bring the fund into balance. The deficit will be paid by the end of FY 17/18, thus creating a drop in funding needs. This has resulted in a decreased cost of CSAC-EIA and a reduced rate in FY 18/19.

Occupational Health – The proposed rate is recommended to increase in FY 18/19 after a flat rate for ten years. An adjustment to the rate and rate methodology is recommended to maintain current service levels. This will also allow capital requirements to be met that are currently unobtainable.

Short-Term Disability – The proposed rate will be lowered in FY 18/19. The rates include Aon Hewitt's recommendation and a 5% reserve accumulation. Human Resources is requesting a waiver of Board Policy B-28 for the use of \$1,134,072 in unrestricted net assets to offset operations cost and reduce rates.

Temporary Assignment Program (TAP) – FY 18/19 TAP rates have been developed in accordance with the State Auditor Controller's recommendations. Five cost categories have been developed for recruiting. Medical assistance per diem, non-medical temporary, Registrar of Voters election assistance, National Date Festival ticket takers and custodial support, and student interns. Each category includes recruitment and onboarding costs, while other administrative and operating costs are allocated evenly across all categories. Since one rate does not adequately represent the service performed in the case of a cancellation, four placement categories have been created. An active filled (employee placed in assignment) and three categories for cancelled job orders at different stages (40%, 75%, 100%). Each rate is per position recruited.

A new Human Resources services rate per TAP employee will be charged at \$22 per paycheck, billed monthly. This charge was removed from the recruiting rate. TAP Outsourcings rate and TAP Transition fee will remain the same as FY 17/18 levels.

Unemployment Insurance – The proposed rate will remain unchanged from the current fiscal year. The rate is 0.202%. Human Resources is requesting a waiver of Board Policy B-28 for the use of \$191,946 in unrestricted net assets to offset operations cost and reduce rates.

Workers' Compensation – The FY 18/19 Workers' Compensation Insurance rates will increase from the current fiscal year's rate and reflect a budget increase of \$7.1 million. This is a result of the County's actuary calculating a required program funding of \$ \$44.9 million at a 60% confidence level.

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The program continues to experience lower loss rates than most comparable counties. Benefits are being achieved from Fraud identification, Utilization Review the Medical Provider Network (MPN), and Return-to-Work programs as well as the iVos claims management system.

Purchasing and Fleet Services

Central Mail - There is no increase in rates for FY 18/19; however, two new rates were developed to address a new service to meet a business need for departments for folding and inserting mailings. A rate of \$.01 per fold and \$.025 per insert are requested. These are equal to the rate for outside service. The department is requesting the purchase of a fold/insert machine to meet this business need. Central Mail is requesting a waiver of Board Policy B-28 for the use of \$135,500 in unrestricted net assets to replace capital equipment.

Fleet Services - The proposed rates for FY 18/19 will remain the same as FY 17/18 rates. Fleet is requesting a waiver of Board Policy B-28 for the use of \$5,255,000 in unrestricted net assets for capital assets.

Supply Services - The proposed rates will remain the same for FY 18/19. The 10% product markup that supports operations related to the ordering, processing, stocking of items, and the processing of returns, will remain the same. The pickup/delivery hourly service rate of \$68.25 will remain the same for requests to move equipment and for the pickup of surplus items to recover the cost of performing the service. However, with the implementation of the ability for departments to order and get delivery directly from vendors for common office supplies, the estimated total delivery charge to departments for FY18/19 will be reduced to \$118,708 from \$280,746. Supply Services is requesting a waiver of Board Policy B-28 for the use of \$152,000 in unrestricted net assets for capital assets.

Jaggaer eProcurement – The cost allocation for the new eProcurement system will be in effect for FY 18/19. The cost allocation will appear as a separate item on the February 6, 2018 board agenda.

Riverside County Information Technology (RCIT)

General/Information Security/GIS –FY 18/19 RCIT rates will remain at the FY 17/18 levels. The overall budget for RCIT rates also remains the same.

PSEC – FY 18/19 rates will remain at the FY 17/18 levels.

Records Management and Archives Program (RMAP)

The RMAP professional service rate is new for Fiscal Year 2018-19. Currently, related costs are included as a general overhead component of the RMAP warehouse box rate, which will not exist next fiscal year. RMAP professional services will be folded into

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County Clerk-Recorder operations, with associated costs recovered through a 'General Service Department' rate. Preliminary projections indicate that these operational changes will result in a countywide net saving of approximately \$3 million over the next five years.

Historical Information

On June 15, 2010, the Board of Supervisors approved the addition of Board Policy B-28 Charges for Internal Services. The implementation of this policy demonstrated a significant shift in approach to establishing rates for internal services. Rate packages submitted to the Auditor-Controller and Executive Office received a more comprehensive review and required documentation that is more detailed. Internal service departments were also mandated to provide a multi-year operations outlook, develop long-term capital asset replacement and cash management plans, and produce annual productivity reports. A Rate Review Committee was established to serve in an advisory role for internal service rate related issues.

On September 23, 2014, Board Policy B-28 was amended to properly reflect the role of the Rate Review Committee in an advisory capacity and renamed the committee to the Rate Review Advisory Council (RRAC). With the amendment, the RRAC added representatives from Parks, Mental Health, Office on Aging, and the Regional Medical Center to the council which previously included representatives from Assessor-Clerk-Recorder, Auditor-Controller, Department of Public Social Services, District Attorney, Executive Office, Sheriff, Transportation Land Management Agency, and Treasurer-Tax Collector.

Impact on Citizens and Businesses

No direct impact to citizens and businesses, however as costs to departments increase, the cost of delivery will increase as well.



Don R. Kent, Assistant CEO-County Finance Officer 1/31/2018